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FISCAL IMPACT STATEMENT

LS 7319

BILL NUMBER: HB 1714

NOTE PREPARED: Jan 12, 2003

BILL AMENDED:

SUBJECT: Indiana Board of Tax Review matters.

FIRST AUTHOR: Rep. Klinker

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
☐ FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 2003	FY 2004	FY 2005
State Revenues		2,140,000	2,252,500
State Expenditures			
Net Increase (Decrease)		2,140,000	2,252,500

Summary of Legislation: This bill allows approval of a late filed or an incomplete application for an economic revitalization (ERA) deduction or an enterprise zone (EZ) inventory credit. It removes the Department of Local Government Finance (DLGF) and the Indiana Board of Tax Review (IBTR) from the review process for economic revitalization area deductions and enterprise zone inventory credits.

This bill also allows a county assessor to intervene or represent the township assessor in review proceedings before the IBTR. It permits the IBTR to make a final determination based on a stipulation. The bill allows, if the time for the IBTR to issue a final determination expires, the petitioner to wait for a determination or file for de novo review in the Indiana Tax Court. It also expands the rulemaking authority of the IBTR.

The bill establishes filing fees for appeals to the IBTR. It increases the sales disclosure form fee to \$15, and uses the additional revenue to pay for voluntary arbitration of IBTR appeals.

Effective Date: July 1, 2003.

Explanation of State Expenditures: *ERA & EZ:* Under current law, after ERA deduction and EZ credit applications are filed with the county auditor they are reviewed by the DLGF and the allowable deductions and credits are certified back to the county auditor. Under this proposal, county auditors would be responsible for verifying the taxpayers' applications. The DLGF would no longer be involved in the day to day administration of these tax incentives. The DLGF would, however, still be available to advise counties as needed.

The elimination of DLGF's handling of these claims would cause a reduction of administrative expenses. The DLGF would be able to redirect the resources currently used for this function to other areas.

Appeals: The bill would allow the IBTR to adopt rules regarding standards and procedures. Among other things, the rules may include procedures for voluntary arbitration and mediation. The rules may also create a small claims appeals track for appeals involving \$500,000 or less in assessed value. Appeals involving less than \$500,000 AV would automatically be subject to the small claims track, except that the taxpayer could elect to opt out of it. It is presumed that the small claims track would be somewhat streamlined and less expensive to administer than current appeals.

This bill would create the state Arbitration Fund. Money in the fund would be used to pay for arbitration under IBTR rules. Revenue for the funding would come from an increase in the sales disclosure form filing fee (See *Explanation of State Revenues*).

Explanation of State Revenues: *Sales Disclosure:* Under current law, a sales disclosure form must be filed with the county auditor any time real property is sold or transferred for valuable consideration, except a transfer to charity. Filers pay a \$5 fee of which \$1 is deposited in the state Assessment Training Fund. This bill would increase the fee to \$15 with the additional \$10 deposited into the newly created state Arbitration Fund. Over the last three years, an average of about 200,000 sales disclosure forms have been filed each year. The additional \$10 fee would generate an estimated \$2 M per year beginning in FY 2004.

Appeals: Under this proposal, residential and agricultural taxpayers would be required to pay a \$25 fee when filing a petition for appeal to the IBTR. The fee for commercial and industrial taxpayers would be \$50. There is currently no filing fee for any class of property.

Although difficult to estimate because of the significant changes made to the assessment system, the IBTR expects to receive about 8,000 appeal filings in CY 2004. The board expects that about 60% of those would be residential/agricultural and 40% would be commercial/industrial. The board estimates about 6,000 additional appeals in CY 2005 and 5,000 additional appeals in CY 2006. About 50% of the appeals in CY 2005 and 2006 are expected to be residential/agricultural. These fees should raise an estimated \$140,000 in FY 2004, \$252,500 in FY 2005, and \$206,250 in FY 2006. The fees would be deposited into the state General Fund.

Explanation of Local Expenditures: *ERA & EZ:* County auditor offices would save the expense of forwarding all ERA and EZ claims and related documents to the DLGF. However, the counties could have additional administrative expenses in processing ERA and EZ claim forms. Funding for additional expenses would come from current resources.

Data Requirements: Under current law, county auditors are required to maintain an electronic file of property tax data for each real property parcel and each business personal property return. Auditors are required to transmit the data to the Legislative Services Agency and the Department of Local Government Finance

before October 1 of the assessment year. Since tax rates are not certified until the following February 15th and tax bills are not computed until after the rates are available, the data that would be transmitted would be very incomplete. This bill changes the transmission date to March 1 of the year following the assessment date. By that time, the records should be complete.

Explanation of Local Revenues: *ERA & EZ:* County auditors must remove the value of ERA and EZ verified claims from the tax base in order to certify assessed values and calculate tax rates. Since county auditors would control ERA and EZ claims under this bill, it is likely that counties would have information regarding the total amount of ERA deductions and EZ credits in a more timely fashion than the DLGF could provide that information.

The bill would also give local officials the ability to accept a late filed ERA deduction application or a late filed EZ credit application as timely filed by resolution after a public hearing. This provision would give local officials more local control over tax incentive availability.

State Agencies Affected: Department of Local Government Finance; Indiana Board of Tax Review; Legislative Services Agency.

Local Agencies Affected: Township assessors; County assessors; County auditors; Urban enterprise associations; and ERA designating bodies;

Information Sources: Bill Waltz, Commissioner, Indiana Board of Tax Review (232-3786); Beth Henkel, Commissioner, Department of Local Government Finance, (232-3777).

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